

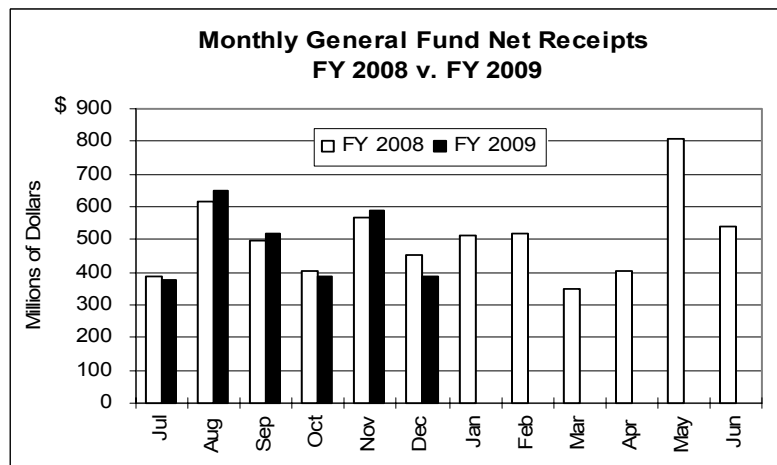
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: January 2, 2009

Monthly General Fund Receipts through December 31, 2008

The attached spreadsheet presents FY 2009 General Fund total net receipts with comparable figures for actual FY 2008. The figures can be compared to the FY 2009 estimate of \$5.991 billion set by the Revenue Estimating Conference (REC) on December 12, 2008. The FY 2009 estimate is a decrease of \$28.2 million (- 0.5%) compared to actual FY 2008 total net receipts (excludes transfers). The next REC meeting has not been scheduled.



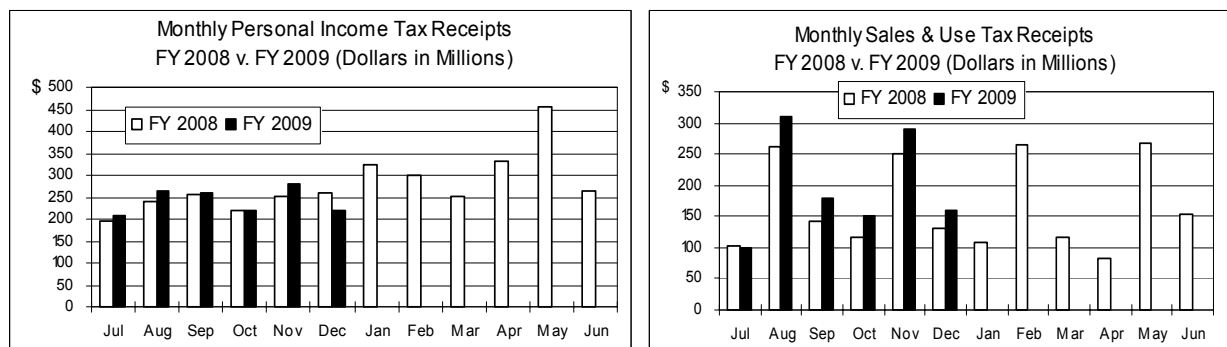
FY 2009 Compared to FY 2008

Year-to-date FY 2009 total net receipts (excluding transfers) decreased \$23.7 million (- 0.8%) compared to FY 2008. Major sources contributing to the FY 2009 change include:

- Personal Income Tax (positive \$27.8 million, 1.9%)
- Sales/Use Tax (positive \$183.4 million, 18.3%)
- Corporate Tax (negative \$29.8 million, - 14.1%)
- Other taxes (positive \$3.0 million, 1.3%)
- Other receipts (positive \$4.5 million, 2.2%)
- Tax refunds not including School Infrastructure refunds (negative \$60.7 million, 36.5%)
- School Infrastructure Sales/Use Tax refunds (negative \$152.0 million)

Personal Income Tax revenues received in December totaled \$220.4 million, a decrease of \$39.4 million (- 15.2%) compared to December 2007. Income Tax was influenced by a due-date issue that positively impacted November receipts and negatively impacted December by the same amount. After adjusting for this issue, Income Tax revenue for December was still negative.

The FY 2009 REC Income Tax estimate of \$3.424 billion represents a projected increase of 1.9% compared to actual FY 2008. Through December, total Income Tax receipts increased by 1.9%. By subcategory, withholding payments increased \$40.5 million (3.3%), estimate payments decreased \$15.4 million (- 9.5%), and payments with returns increased \$2.8 million (6.0%). The following chart compares FY 2009 monthly Income Tax receipts from the three Personal Income Tax subcategories with FY 2008.



Sales/Use Tax receipts received in December totaled \$158.8 million, an increase of \$28.9 million (22.2%) compared to December 2007. The State Sales/Use Tax was increased from 5.0% to 6.0% beginning July 1, 2008, with the increase replacing the School Infrastructure Local Option (SILO) sales tax. Beginning in August, Sales/Use gross tax receipts were no longer adjusted for SILO sales tax payments to school districts. This adjustment accounted for \$37.1 million of the increase in December.

The REC estimate for FY 2009 Sales/Use Tax receipts is \$2.419 billion, an increase of 20.9% compared to actual FY 2008. Through December, total gross Sales/Use Tax receipts have increased 18.3%. The preceding chart compares FY 2009 monthly Sales/Use Tax receipts with FY 2008.

Corporate Tax receipts received in December totaled \$45.2 million, an increase of \$2.8 million (6.6%) compared to December 2007.

The REC estimate for FY 2009 Corporate Tax revenue is \$407.1 million, a decrease of 15.9% compared to actual FY 2008. Year-to-date total Corporate Tax revenue has decreased 14.1%.

Other tax receipts received in December totaled \$31.8 million, an increase of \$2.7 million (9.3%) compared to December 2007. Inheritance and Cigarette Tax receipts increased for the month.

The REC estimate for other tax revenue is \$493.0 million, a decrease of 0.2% compared to actual FY 2008. Through December, other tax revenue has increased 1.3%.

Other receipts (non-tax receipts) received in December totaled \$23.6 million, a decrease of \$3.9 million (- 14.2%) compared to December 2007. Judicial revenue and interest revenue were decreased 55.6% and 45.1% respectively, compared to last December.

The REC estimate for FY 2009 other receipts revenue is \$376.2 million, a decrease of 1.2% compared to actual FY 2008. Year-to-date total other receipts have increased 2.2%.

Tax Refunds issued in December totaled \$57.4 million, an increase of \$21.2 million (58.6%) compared to December 2007. Beginning in August, 2008, School Infrastructure sales tax payment adjustments are posted as tax refunds. In December, the amount transferred for school infrastructure purposes was adjusted and increased to reflect receipts received from School Infrastructure sales tax. A \$6.0 million adjustment was made to “catch-up” payments made from August through November. The regular December payment was \$31.1 million and the total December School Infrastructure sales tax refund was \$37.1 million.

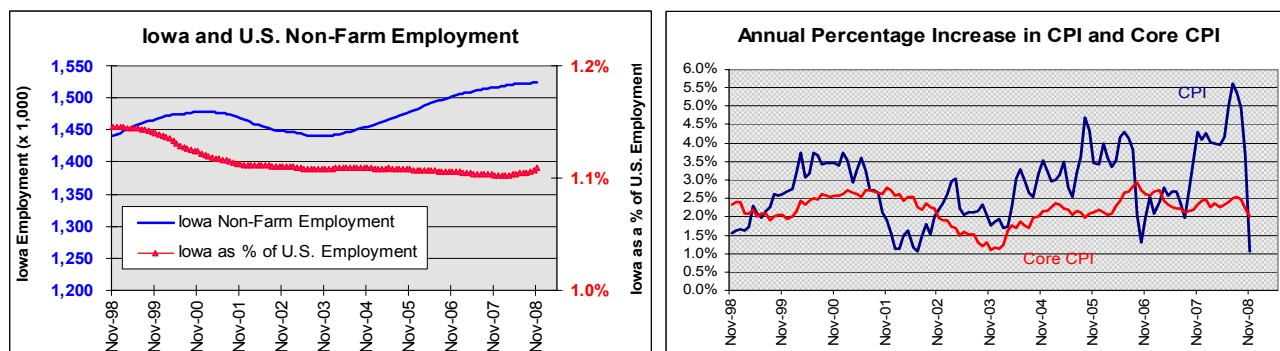
Year-to-date tax refunds issued total \$226.8 million, \$60.7 million (36.5%) above the amount through December of last year. In addition, School Infrastructure refunds totaled \$152.0 million through December.

Status of the Economy

Iowa non-farm employment was reported at 1,541,700 for the month of November (not seasonally adjusted), 4,800 higher (0.3%) than November 2007.

Iowa's 12-month average employment is presented in a graph below. The average non-farm employment pre-recession peak was February 2001 (1,478,700), and the recession low was September 2003 (1,439,900). The current 12-month average reading is now 1,524,200 so annualized Iowa non-farm employment is 45,400 above its 2001 peak and 84,200 above the 2003 low.

The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1998 through 2002. The percentage has increased slightly the past eleven months and is now at its highest level since May 2005.



Consumer prices decreased 1.9% during November (not seasonally adjusted). The Consumer Price Index (CPI-U) through November 2008 was 212.4 (1983/84=100). After three consecutive months over 5.0%, annual inflation has now decreased for three months and the year-over-year change is now 1.1%, its lowest level since June 2002.

Core CPI, an inflation measure excluding food and energy prices, decreased in November and stands at 2.0%, year-over-year. The core inflation rate declined considerably from the early 1990s through March 2004 but has not been below 2.0% since August 2004. For the two components excluded from the core rate, energy prices decreased 18.0% in November and currently stand at -13.5% in the year-over-year comparison while food prices are up 5.9% year-over-year, marking the 8th consecutive month the figure has been at or above 5.0%.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://www.legis.state.ia.us/receipts/daily.html>

GENERAL FUND RECEIPTS - FY 2008 vs. FY 2009 July 1 through December 31 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 08 Actual Compared to FY 09 REC Estimate		
	FY 2008	FY 2009	Year to Date % Change	December % Change	Actual FY 2008	Estimate FY 2009	Projected % Change
Personal Income Tax	\$ 1,428.2	\$ 1,456.0	1.9%	-15.2%	\$ 3,359.7	\$ 3,424.4	1.9%
Sales/Use Tax	1,004.1	1,187.5	18.3%	22.2%	2,000.2	2,418.8	20.9%
Corporate Income Tax	210.7	180.9	-14.1%	6.6%	483.8	407.1	-15.9%
Inheritance Tax	36.9	42.3	14.6%	7.5%	78.4	83.9	7.0%
Insurance Premium Tax	52.8	49.5	-6.3%	0.0%	111.7	115.6	3.5%
Cigarette Tax	115.6	116.5	0.8%	17.1%	229.5	224.0	-2.4%
Tobacco Tax	10.5	11.7	11.4%	-7.1%	21.2	21.8	2.8%
Beer Tax	7.7	7.8	1.3%	-8.3%	14.5	14.5	0.0%
Franchise Tax	16.1	14.5	-9.9%	-11.8%	37.6	32.2	-14.4%
Miscellaneous Tax	0.4	0.7	75.0%	0.0%	1.0	1.0	0.0%
Total Special Taxes	\$ 2,882.9	\$ 3,067.4	6.4%	-1.0%	\$ 6,337.5	\$ 6,743.3	6.4%
Institutional Payments	7.2	7.0	-2.8%	8.3%	14.9	13.5	-9.4%
Liquor Profits	33.4	41.6	24.6%	0.0%	72.4	81.6	12.7%
Interest	15.6	9.5	-39.1%	-55.6%	25.3	16.5	-34.8%
Fees	34.7	34.8	0.3%	20.0%	82.1	71.3	-13.2%
Judicial Revenue	41.9	40.0	-4.5%	-45.1%	90.0	95.0	5.6%
Miscellaneous Receipts	16.1	20.5	27.3%	4.2%	36.1	38.3	6.1%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 3,091.9	\$ 3,280.9	6.1%	-1.8%	\$ 6,718.3	\$ 7,119.5	6.0%
Accrued Revenue-Net					-24.0	14.9	
Tax Refunds *	-166.1	-226.8	36.5%	58.6%	-674.8	-755.0	11.9%
School Infrast. Refunds *	0.0	-152.0			0.0	-388.1	
TOTAL NET RECEIPTS	\$ 2,925.8	\$ 2,902.1	-0.8%	-14.8%	\$ 6,019.5	\$ 5,991.3	-0.5%
* For FY 2008 and FY 2009 Year-to-Date, refunds are listed on a cash basis. For FY 2008 Actual and FY 2009 Estimate, refunds are listed on a fiscal year basis.							